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Where's the strategic intent in key account relationships?

Abstract

Purpose - Over the past 10-15 years key account management (KAM) has established itself as an important and growing field of academic study, and as a major issue for practitioners. Despite the use of strategic intent in conceptualizing KAM relationship types, the role of strategic intent has not previously been empirically tested.

Design/methodology/approach – This paper reports on inductive research that used a dyadic methodology and difference modelling to examine 9 key account relationship dyads involving 18 companies. This is supplemented with 13 semi-structured interviews with key account managers from a further 13 companies which provides additional depth of understanding of the drivers of KAM relationship type.

Findings – The research found a misalignment of strategic intent between supplier and customer which suggested that strategic intent is unrelated to relationship type. In contrast, key buyer / supplier relationships were differentiated not by the level of strategic fit or intent, but by contact structure and differentiated service.

Practical implications – This research showed that there can be stable key account relationships even where there is an asymmetry of strategic interests. The findings also have practical implications relating to the selection and management of key accounts.

Originality/value – These results raise questions relating to conceptualizations of such relationships both in the classroom and within businesses.

Keywords Key accounts; industrial selling; strategic intent; relationship typologies

Paper Type Research paper

Introduction

Key Account Management (KAM) is a systematic process for managing business-to-business relationships that are of strategic importance to a supplier (Millman and Wilson, 1995; Ojasalo, 2001). It involves the adoption of collaborative ways of working with customers rather than traditional transactional and adversarial relationships (McDonald and Woodburn, 2007). Longer-term collaborative relationships have been found to produce better firm performance for both parties when compared to firms adopting a primarily transactional stance (Byrnes, 2002; Galbreath, 2002; Hausman, 2001; Holmstrom, 1998; McIntyre *et al.*, 2004; Sengupta *et al.*, 1997) even where power asymmetries are considerable (Narayandas and Rangan, 2004). Thus, KAM has developed as a substantive and important field of study for both practitioners and academics (Homburg *et al.*, 2002).

Despite the widespread recognition of KAM as a collaborative process, the majority of the theoretical insight is drawn from the supplier side, particularly relating to how suppliers organize and manage their customer relationships (e.g. Capon and Senn, 2010; Fiocca, 1982; Ojasalo, 2001; Ryals, 2005; Workman *et al.*, 2003). Although this provides insight into the importance of careful selection and management of key accounts to the profitability of suppliers (Blattberg, Getz and Thomas, 2001; Ojasalo, 2001; Reinartz and Kumar, 2002; Ryals, 2005; Workman *et al.*, 2003), it neglects the customer perspective, which is a potentially serious flaw given the argued importance of symmetry (Capon and Senn, 2010) or strategic fit (Richards and Jones, 2009) between customer and supplier. This paper therefore takes a dyadic approach to key account relationships, to examine the dual perspective of both supplier and customer.

Richards and Jones (2010) argued persuasively that strategic fit and relationship effectiveness are causally related. This suggests a requirement for commitment on both sides, if the relationship is to produce benefits to both parties (c.f. Frankwick, Porter and Crosby, 2001 and Lemke *et al.*, 2002). Following other KAM researchers (e.g. McDonald and Woodburn, 2007) and given the exploratory nature of this research, we refer to this as ‘strategic intent’, which we define as an umbrella term covering a set of related constructs including strategic and operational fit (Richards

and Jones, 2009), goal congruence (Frankwick, Porter and Crosby, 2001), mutuality and commitment (McDonald and Woodburn, 2007).

Our aim here is not to define the concept of strategic intent, but to explore whether or not it is important in determining the type of key account relationship. For instance, one strand of extant research has identified a number of collaborative relationship forms founded on mutual strategic intent (e.g. Dwyer *et al.*, 1987; Millman and Wilson, 1995; McDonald *et al.*, 1997), which vary in terms of the level of commitment, trust, contact etc (e.g. Frankwick, Porter and Crosby, 2001 and Weitz and Bradford, 1999). Practitioner applications of such frameworks include the commitment of resources (e.g. Capon and Senn, 2010), and the development of account plans and objectives (e.g. McDonald and Woodburn 2007), indicating that such classifications are fundamental tools used for important customer management decisions (Piercy and Lane, 2006). Nevertheless, strategic intent may be espoused by certain customers but the company's actions may be actually driven by purely transactional goals. If so, the resource allocation and behavioural recommendations derived from the use of such collaborative models of relationship form may be sub-optimal.

In this paper we therefore build on an exchange or interactional theory perspective to examine these inter-organizational relationship types (e.g. Dwyer *et al.*, 1987; McDonald *et al.*, 1997; Toulan *et al.*, 2007). Sometimes, such classifications are presented in terms of a relationship lifecycle – that is, as relational development models (Dwyer *et al.*, 1987; Ring and Van de Ven, 1994; Millman and Wilson, 1995; McDonald *et al.*, 1997; Ojasalo, 2001; Eggert *et al.*, 2006; Toulan *et al.*, 2007). In other cases they are presented as typological descriptions of key account relationships (Pardo, 1997; McDonald and Woodburn, 1999; McDonald, 2000). This paper examines the empirical robustness of these classifications of relationship form by first asking a simple question about whether both sides of a relationship (supplier / customer dyads, Anderson *et al.*, 1994) agree on the classification. If agreement is low, then the reliability of the models when used in practice might be low. Our second research question explores the degree of agreement between supplier / customer dyads across a range of aspects of the relationship; this could help key account managers decide on the most appropriate relationship form for each key account. Finally, we

examine what drives relationship type. A better understanding of these drivers would enable key account managers to manage any transition to another form if the relationship is not currently optimal.

Strategic intent in Business-to-business relationships

In application to organisational strategy, strategic intent refers to strategic or competitive priorities, objectives and future direction (Campbell and Yeung, 1991; Fawcett, Smith and Cooper, 1997; Hitt et al., 1995) and deals with the question: “... ‘what business are we in and what strategic position do we seek?’ ” (Campbell and Yeung, 1991, p. 146). Hamel and Prahalad defined strategic intent as an ambition or obsession to achieve something (1990) or as an obsession with winning (2005) that plays an important part in commercial success. They suggest that successful companies who exhibit strategic intent tend to focus on market or international leadership rather than shareholder value creation. This mirrors research into the objectives of higher-level relationships in KAM (Homburg *et al.*, 2002; McDonald *et al.*, 1997; Millman and Wilson, 1996).

However, the concept of strategic intent does not include powerful factors such as values and behaviours (Campbell and Yeung, 1991). In the KAM context, although international leadership and market focus are defining characteristics of good KAM programmes in the academic literature (Homburg *et al.*, 2002; McDonald *et al.*, 1997; Millman and Wilson, 1996), the definition of strategic intent is somewhat different, and closer to the concept of ‘mission’ preferred by Campbell and Yeung (1991). In KAM, it encompasses the strategic and operational fit between the two companies, goal congruence, mutuality and commitment (Frankwick, Porter and Crosby, 2001; McDonald and Woodburn, 2007; Richards and Jones, 2010). Thus, strategic intent in KAM could be understood to be a mutual mission that relates solely to the level of relationship closeness between the supplier and the customer, and it is used in this way in Hitt et al. (1995) referring to interorganisational partnerships. The difference in usage suggests that the term ‘strategic fit’ might be misleading in the KAM context, where it denotes both financial objectives and behavioural intentions.

Hamel and Prahalad's work suggests that the most powerful component of mutual strategic intent is the payoff. Galbreath (2002) argues that strategic intent and mutuality both play an important role and that the greater the level of strategic intent, the greater the financial benefits from the relationship. Certainly, the promise of financial benefits seems to be a substantial inducement to entering into a KAM relationship (e.g. Dyer, 1997; Gosman and Kelly, 2002; Hausman, 2001; Holmstrom, 1998; Ryals *et al.*, 2005). Moreover, there is an additional inducement for suppliers to establish key account relationships with their customers as doing so may reduce the risk of being 'demoted' to Tier 2 supplier status as companies reduce the number of suppliers they use.

This fear is grounded in the asymmetric level of commitment perceived by suppliers: in general, suppliers regard customers as considerably less committed to the supplier's success than the suppliers are to the customer's success (Hughes and Weiss, 2007). The customer viewpoint is rather different: recent research has found that 54% of Chief Executives worldwide believe that their companies are aligned with their suppliers for mutual benefit. 29% go further, describing their companies as fully aligned in cost and business benefit objectives with suppliers (PriceWaterhouseCoopers, 2007).

This alignment of interests, both behavioural and intentional, is a recurring theme in business-to-business relationship research, although it goes under various names such as commitment (Lemke *et al.*, 2002; Ojasalo, 2001), reciprocating or relationship marketing (Sin *et al.*, 2002), shared interest (Dwyer *et al.*, 1987), strategic fit (Doyle and Roth, 1992; Toulan *et al.*, 2007), strategic / operational fit (Richards and Jones, 2009; Millman and Wilson, 1995), alignment of relationship requirements (Piercy and Lane, 2006), or strategic intent (e.g. Gunasekaran *et al.*, 2001; McDonald *et al.*, 2000; Morash, 2001).

Sin *et al.* (2002) find that reciprocating (making allowances or doing favours in exchange for the same in return at some future point) is associated with sales growth and customer retention amongst suppliers. These are behavioural aspects of an established relationship; but some KAM researchers go further and identify 'strategic

intent’ as a factor in exploratory (pre-transactional) relationships (e.g. McDonald and Woodburn, 2007) and, indeed, as a determinant of key account relationship form.

Since much previous research has identified a link between ‘strategic intent’ and the type and/ or effectiveness of the business-to-business relationship, we will now examine some of the KAM relational frameworks to see what role strategic intent plays in such classifications.

KAM relational models

From its earliest days, research into collaborative business-to-business relationships has suggested that there are different relationship forms (Fiocca, 1982; Dwyer *et al.*, 1987; Millman and Wilson, 1995). One approach has taken a supplier-side portfolio management view (e.g. Fiocca, 1982) aimed at maximizing the financial value of customer relationships (Johnson and Selnes, 2004); this approach has been extensively explored by other researchers. There is also the influential work by Homburg *et al.* (2002) which utilized an approach based on activities, actors, resources and formalisation to identify differing approaches to KAM relationship management based principally on the organizational level at which the supplier communicates with the customer.

Although providing a rich picture of intra-organisational KAM, this tells us little about the inter-relationships between suppliers and customers; nor does it account for the different methods of relationship management likely to be undertaken within one firm (Ryals and Humphries, 2007; Zupancic, 2008) or how they might develop over time (e.g. Dwyer *et al.*, 1987; Millman and Wilson, 1995, 1996; McDonald *et al.*, 1997). It is the inter-organizational perspective on key account relationships that we examine in this paper.

Some inter-organizational relationship models are presented as developmental or lifecycle schema; in other words, it is claimed that a developing KAM relationship will pass through each stage (Dwyer *et al.*, 1987; Millman and Wilson, 1995; McDonald *et al.*, 1997). This progression is sometimes described as a supplier strategy: “Selling companies practicing key account management do consciously plan

to move key accounts from prospects towards higher relationship levels” (McDonald and Rogers, 1998 p9). The notion of progression is reinforced by the relationship descriptors: Awareness, Exploration, Expansion, Commitment, and Dissolution (Dwyer *et al.*, 1987 p15) or Pre-KAM, Early KAM, Mid KAM, Partnership KAM, and Synergistic KAM (McDonald *et al.*, 1997; McDonald and Rogers, 1998). From this perspective, strategic fit develops through the relationship (Doyle and Roth, 1992) through mutual trust (Pardo *et al.*, 1995).

Other KAM models have been presented as a relationship-oriented typology. In McDonald (2000), for example, the perspective is dyadic and collaborative; in Toulan *et al.* (2007) it is contrasted with a ‘bargaining power logic’. This is reflected in new relationship descriptors, for example Exploratory, Basic, Co-operative, Interdependent, & Integrated (McDonald and Woodburn, 1999; McDonald 2000), with the difference described as ‘degree of collaboration’ (McDonald and Woodburn, 1999). From this perspective, strategic intent is viewed as an antecedent to the relationship (e.g. McDonald *et al.*, 2000; Ojasalo, 2001; Richards and Jones, 2009). The notion that ‘closer is better’ has been replaced with the idea of mutuality and degree of shared intent: “In certain circumstances, it may not be appropriate for relationships to become closer and more sophisticated” (McDonald, 2000:23).

Table 1 summarises some inter-organizational models of KAM relationships.

[Insert Table 1 near here]

Many of the relational models shown in Table 1 are underpinned by the notion that the relationship type is determined by strategic fit (Millman and Wilson, 1995; Toulan *et al.*, 2007) or strategic intent (McDonald and Woodburn, 1999; McDonald, 2000; Ojasalo, 2001). Thus, ‘Basic’ relationships are characterized as having low levels of strategic intent on both sides, whereas ‘Interdependent’ relationships are said to have high levels of strategic intent on both sides. This intent is associated with resource commitment (Frankwick, Porter and Crosby, 2001) and also with successful relationship outcomes; Homburg *et al.* (2002:55) comment that “...failure to achieve access to and commitment of cross-functional resources seems to play a critical role for the success of KAM programs.”

Symmetric strategic intent – the norm, or the exception?

However, there is a problem with relationship classifications based on strategic intent or fit, which is that some researchers have suggested that strategic fit may be the exception, rather than the norm. This would lead to ‘asymmetric’ relationships in which the strategic intent of one party was greater than that of the counterparty. Still worse, Pardo (1997) and Toulan et al. (2007) argue that such asymmetric relationships may persist over time. The danger in an asymmetric relationship is that the supplier organisation may delude itself about the closeness of the relationship and therefore allocate inappropriate levels of resources (McDonald, 2000). To avoid this danger, suppliers are advised to match their strategic intent with that of the customer (McDonald, 2000).

Another problem with using strategic intent to classify relationships is that researchers disagree whether this matching of strategic intent is a precursor to, or a result of, the relationship. Narayandas and Rangan’s (2004) work accepts imbalances as the norm in the initial stages of business-to-business buyer-seller relationships and suggests mechanisms by which commitment, rewards and (implicitly) shared intent might develop over time (converge). By contrast, Koza and Lewin (2000) argue that differences between the parties can be expected to emerge from time to time (diverge). Jap and Anderson (2007) call for more research into this issue.

This review surfaces a number of unresolved questions about the role of strategic intent in KAM:

1. Whether the conceptual models described above have empirical support in the sense that the relationship forms are recognized and agreed on by both sides;
2. Whether and to what extent companies engaged in KAM relationships share strategic intent;
3. Whether strategic intent is a determinant of KAM relationship form and development, or whether other factors better explain the nature and change in these relationships.

To address these three questions, a three-stage research design was used. This research design will be described in the following section.

Methodology

Design, procedure, and sample characteristics

This paper follows an inductive and exploratory line of enquiry into existing relationship types and levels of strategic intent. It does this in three consecutive phases. In the first dyadic empirical phase, using semi-structured interviews, we investigate the extent to which dyadic partners agree upon relationship types and share strategic and organizational goals from the relationship. In the second dyadic phase we investigate strategic intent using fifteen measures of business-to-business relationships drawn from the literature. In phase three we use an unstructured interview approach to investigate what influences the decision regarding the type of relationship identified by participants and how they decide what contact structure and service level (Frankwick, Porter and Crosby, 2001) they will pursue with partners.

In the first two stages participant companies were selected to meet specific criteria of having an existing key account management program with more than one key account and with dedicated key account managers. The purpose of these conditions was to ensure that the relationships to be examined met three criteria. The first was that they were key account relationships that were genuinely important to the supplier firm. The second was that the relationship was sufficiently well-established that both sides would be able to comment on it meaningfully. The third was the relationship was relatively stable; we aimed to exclude transitional relationships because short-term issues may dominate. However, these criteria limited the number of relationships for study. In a purposive sampling method, supplier companies were identified based on attendance at KAM training seminars run by the institution of one of the authors, either at the university or at the premises of the company. The seminars were for practicing key account managers, key account directors, and sales directors and lasted between one and six days. They were attended by companies from the manufacturing, service and financial services sectors.

Suppliers wanting to participate were requested to nominate a customer that they considered to be a key account. The purpose of asking the supplier to secure customer agreement to participate was to include only stabilised relationships. The dyads selected to participate were intentionally drawn from a range of different industries,

with varying relationship closeness, and having varying size disparities between supplier and customer. This resulted in a sample of nine supplier-customer dyads. The dyadic approach is widely used in networking research (Dyer and Singh, 1998; Iacobucci and Hibbard, 1999; Molina and Dyer, 1999; Richards and Jones, 2009) and is preferred in research into buyer-supplier relationships (e.g. Ryals and Humphries, 2007; Humphries and Wilding, 2003; 2004; Kern and Willcocks, 2002). The participants were always the key account manager on the supplier side, and their key contact on the customer side, typically a senior purchasing manager.

The dyadic interviews in phases 1 and 2 collected data in both structured and unstructured forms. Following Jap and Anderson (2007), we determined relationship form through descriptions based on Dwyer *et al.* (1987), Millman and Wilson (1996) and McDonald (2000). We followed this with open questions about the strategic and operational goals of the relationship, plus 15 structured questions drawn from the literature. Following other recent research on business-to-business relationships we used a 4-point Likert scale (c.f. Chryssochoidis, Strada and Krystallis, 2009; see also e.g. Salam, 2009). Each interview lasted between 45 minutes and 2 hours. The questions are set out in Table 2.

Phase 3 of the research was drawn from open questions with the supply side dyads plus semi-structured interviews with a further 13 experienced key account managers. The questions reflected the emergent themes (from phases 1 and 2) of relationship form (Millman and Wilson, 1996; McDonald, 2000), relationship structure (Beverland, 2001; Dwyer *et al.*, 1987; Millman and Wilson, 1996; McDonald, 2000), levels of service (Beverland, 2001) and relationship drivers including strategic intent. These interviews lasted between 45 minutes and 1.25 hours. The purpose of the additional interviews with the key account managers was to provide additional richness of detail around relationship development in the context of key account management. The original 9 key account managers were able to provide highly contextualised responses on the themes emerging from the original dyadic interviews but the additional 13 interviewees were able to corroborate the perspectives of the earlier 9 and provide a less contextualised and more expansive exploration. Extending the interviews contributed to a more generalizable and theoretically-rich contribution.

Data were analyzed in two ways. The dyadic data from phases 1 and 2 were analyzed using a content analysis and comparison method between the dyads (Weber, 1990). The structured data are used illustratively to provoke discussion as in other works in key account management (e.g. Wengler *et al.*, 2006). Respondent comments during the dyadic phase, plus the semi-structured interview data from phase 3, were analyzed using an interpretive coding method to elucidate themes and structures (Spiggle, 1994). The coding method was a standard seven step qualitative coding and reclassification technique utilising both open and coaxial coding to elucidate higher order constructs (Spiggle, 1994). The volume of data makes exhaustive data presentation impractical; however illustrative quotations are used to demonstrate the overall emergent themes.

Results

Phase 1: Relationship types

In phase 1, participants were presented with diagrams and descriptions of relationship types drawn from the KAM literature, and asked to identify which type most closely represented the relationship they had with their dyad partner. Responses covered the full range of relationship types identified in Table 1 except the exploratory stage (McDonald, 2000) and the breakdown of relationships (e.g. Dwyer *et al.*, 1987). The results are presented diagrammatically in Figure 1, where the shaded areas along the diagonal represent agreement between the dyad partners as to the relationship type.

[Insert Figure 1 near here]

In four of the nine dyads, both parties assessed their relationship as being the same type (dyads 3, 4, 7 and 8). In four further dyads, the customer and supplier gave different assessments (dyads 2, 5, 6 and 9). In the first dyad, neither party was able to answer this question so this dyad (dyad 1) remained unclassified. Although this was a small sample, the research focused on relationships that are of considerable importance to both sides, so the low level of agreement about the relationship type was intriguing.

Of the four dyads where the respondents disagreed about the type of relationship, three (dyads 2, 6 and 9) were classified as closer by customers than they were by suppliers. This is interesting given that Hughes and Weiss (2007) found that suppliers believe that they are more closely committed to the relationship with their customers than the customers themselves are. Yet, in this research, this was only true of one dyad (dyad 5). Here, the supplier believed the relationship to be closer than the customer did, seemingly because the supplier was over-estimating their value to the customer. Pardo (1997) comments that, just because the customer is a key account does not necessarily mean that the supplier is a key supplier.

In one dyad where the customer and supplier had given different responses to this question there was quite a marked difference – the supplier considered the relationship type to be arms-length (basic), whilst the customer considered the relationship type to be close (dyad 6). An examination of the responses of these dyadic partners revealed some interesting differences. The customer specifically indicated that it was very happy with the level of communications and perceived a high level of contact at different points in the two organizations. It saw its supplier partner as helping it to achieve its strategic goals and considered that both parties had a greater level of security from the relationship by knowing that they were the ‘preferred partner’. The customer felt that it got ‘optimum service’ in this relationship and felt that the relationship was a long term, mutually beneficial one. By contrast, the supplier assessed the same relationship as ‘basic’, because it could offer more to its customer, comprising a broader service across a wider range of service areas. The supplier would have preferred a greater level of communication and, in particular, would have liked to have more contact points across the two organizations. This seemed to be a case of a long-term asymmetric relationship. Such asymmetric relationships can be stable and enduring, apparently without shared intent:

“the relationship has been going for 3 years now, and is constantly improving. It is better described as a partnership than a buyer-seller relationship” (Customer)

“we see our ... relationship with the customer as merely a starting point from which we aim to add value, build upon the relationship map, provide innovation, and adapt the business model over the course of time” (Supplier)

Another possible explanation for the disparity of views about the relationship type could be that some relationships were in transition between states. In two dyads, one of the parties said they thought the relationship was in a 'transition' stage (2 out of the 8 responses relating to mismatched dyads). Moreover, both respondents recognized that their dyad partner might view the relationship slightly differently and seemed to have a good understanding of the nature of their key account relationship both from their own and from their partner's perspective.

"The reason [our company] views this relationship as strategic is that it is evolving. The fact that we do not have formal development plans has more to do with the nature of [our company's] business, rather than a lack of will to develop the relationship. [The supplier] is aware of [our] resource strategy, but final resource requirements depend on the success of [our] bids for new clients" (Customer)

In fact, several respondents indicated that they expected their relationship to change type over time. These were spontaneous comments: the relationships were presented to respondents as a typology, not in the form of a lifecycle, yet the latter is how it was perceived. Other researchers have also found evidence of relationship lifecycles (Dwyer *et al.*, 1987; Jap and Anderson, 2007; Millman and Wilson, 1995; McDonald, Millman and Rogers, 1997) and our data support this proposition. However, the dyads in our research perceived a lifecycle in two directions through the model. Unlike Dwyer *et al.*, (1987), Ring and Van de Ven (1994) and Millman and Wilson (1995) we do not identify the relationships as progressing in one direction (permanently increasing strategic intent until the point of disintegration). Our research suggests that relationships fluctuate based on personality, company lifecycle and changing market conditions. They can therefore be 'reverse engineered' back to a lower level of relationship development without decoupling. This finding differs from the 'Decline' stage in Eggert *et al.*, (2006) because, although the relationship may have regressed to an earlier stage, it is not on its way to termination, but instead has the potential to return to a different, closer state when conditions changes. This implies that relationship development models should be viewed as dynamic, rather than rigid and unidirectional.

Phase 1 of our research found that the participants (with the exception of dyad 1) were able to recognize and comment on the relationship types, but we did not find any

substantial agreement about relationship type. In fact, as many dyads disagreed about relationship type as agreed. This lack of general agreement suggests the need for further examination of these models, and prompted us to explore further the degree to which the dyad partners actually shared strategic intent.

Phase 2: Strategic intent

As discussed earlier, the literature contains a number of definitions of the notion of strategic intent or fit, so we operationalized it using both intentional and behavioural indicators. The intentional indicators were the existence of shared strategic or organizational goals (e.g. Hamel and Prahalad, 1990, 2005; Jap and Anderson, 2007; McIntyre *et al.*, 2004; Toulin *et al.*, 2007); the behavioural indicators were related to actions or developments in the relationship, such as mutual investment and joint projects (e.g. Ryals *et al.*, 2005).

Strategic Goals - The strategic goals mentioned by respondents included both financial and non-financial goals. Interestingly, however, it was the non-financial goals that generated the most comment, with suppliers mentioning non-financial goals four times as often as they mentioned financial goals. Customers similarly mentioned non-financial goals far more often than they mentioned financial goals. This can be seen in Table 3, where the numbers indicate the frequency count of mentions of each topic. Financial goals include growth, operational efficiency and, on both sides, cost savings. Non-financial goals included long-term commitment, customer delivery, and mutual benefit. Financially, suppliers tended to be divided between maintenance and growth, and increased profits. Customers tended to be almost entirely focused on increased profits as their goal from the relationship. In terms of non-financial relationship goals, suppliers were more interested in long-term commitment and customer delivery, whereas customers were equally interested in these two goals plus mutual benefits.

[Insert Table 3 near here]

Table 3 illustrates some striking differences between customers and suppliers, indicating a lack of explicit shared goals. In their detailed financial goals customers focused more heavily on cost savings and improved efficiency whereas suppliers focused on growth and value. This is a distinctly traditional pattern in customer-supplier relationships although is perhaps more unexpected in supposedly key relationships.

Curiously, there was no perceptible variation between close dyads and arms-length dyads. It would appear that, not only do the traditional patterns persist, but they also transcend relationship types. If strategic intent involves shared financial goals, the findings do not support a model in which strategic intent is greater in close than in arms-length relationships.

Nor do suppliers and customers seem to share non-financial goals. Suppliers were noticeably more interested in commitment and integration with their customers, suggestive of a slightly defensive stance (closer relationships are more difficult to break up); whereas customers were interested in their own needs and in the improvement of mutual benefits, perhaps more indicative of growth and innovation goals. In particular, it seems that intangible or communication-dependent non-financial goals produced little mutual agreement. By contrast, joint product design was a tangible activity that actively involved both parties and generated greater agreement between buyer and supplier companies.

Organizational Goals - As with the strategic goals, the organizational goals mentioned by our respondents split into financial and non-financial. However, for customers the financial goals were equally as important as the non-financial goals while, for suppliers, non-financial goals were mentioned much more often than financial goals. It seemed that key account relationships were particularly important to suppliers in achieving non-financial goals. Overall, in key account relationships, the non-financial benefits of the relationship are at least as important to suppliers as the financial ones (Table 4).

[Insert Table 4 near here]

Table 4 reveals differences in focus between the two sides. Financially, suppliers seemed more interested in market penetration and extension, whereas customers were more interested in operational efficiency. Suppliers were extremely interested in improving their market position through the relationship, whereas customers had a much greater interest in reaching along the route to market and getting help from their suppliers to address end users, as predicted by Piercy and Lane (2003). There was no evidence of attempts to unify the goals of the two organizations.

Moreover, a perceived closer relationship type did not seem to result in closer alignment. Our results support McIntyre et al.'s (2004) findings that shared goals do not seem to be a determinant of relationship closeness; although, counter to McIntyre et al.'s (2004) other findings, in our research sample shared goals were not a driver for initiating a KAM relationship.

Behavioural indicators of strategic intent – working with the same dyads, and using a 4-point Likert scale and 15 statements relating to mutual actions and intended actions relating to relational integration, we examined the extent to which the dyads agreed or disagreed on these statements.

[Insert Figure 2 near here]

Figure 2 illustrates the average disagreement. To the left, the figure shows considerable disagreement with the statement that conflict was reducing, and also with the statement that there were agreed longer-term strategies. The finding relating to conflict is interesting in itself, as suppliers frequently enter these relationships with the expectation that conflict will reduce; our findings support Speakman and Ryals (2010), who have recently argued that the converse is true. To the right, the figure shows considerable agreement with statements relating to active co-operation, relationship success, the prevalence of joint projects, and long-term commitment.

Over the 15 statements, the dyads average nearly one point of difference (25% variance) per question. Some of these differences were stark, with as many as three points of difference occurring (the difference between disagree and strongly agree) on

seven occasions. These differences did not relate to relationship type. Dyads 3 and 7 had relationships that were less committed according to their relationship type, yet they exhibited less disagreement than the apparently more committed relationships of dyads 4 and 8. Generally, the level of disagreement concerning the formalization of long-term strategy suggests that something other than behavioural aspects of strategic intent guided the participant's perception of relationship type.

The findings of the first and second phases indicate a disconnect between perceived relationship type, the nature of the interaction and the creation of mutual strategic intent. First, we find evidence of stable relationships in which the parties disagree on the relationship type. Second, we find little mutual agreement on either the strategic or organizational goals of the relationship. Third, we find that these disagreements are not connected to the type of relationship. Since strategic intent – or indeed shared goals – did not seem to determine relationship type, we explored the determinants of KAM relationships further through a third research phase which consisted of open semi-structured questions with our dyads and a further 13 interviews with senior Key Account Managers selected for their experience across all relationship types.

Phase 3: Determinants of KAM relationships

Phases 1 and 2 of this research had raised doubts as to whether strategic intent really was the key determinant of KAM relationships. The interviews in phase 3 of the research found that all but one of the key account managers identified the existing models as satisfactorily describing their account relationships *in structural terms* (that is, the number of contacts with whom and broad roles on each side).

“I think we are a basic relationship because I am mostly dealing directly with my key contact.

But that doesn't make this a less significant account than any other” (Supplier)

“Our relationship is really close and we work well together... [but] that doesn't mean we are in each others' pockets” (Customer)

In practice, this different contact structure reflected differentiated service levels between the basic and the closer relationships (lower versus higher service levels). This extends the work of Beverland (2001) who noted a general demand for higher service levels including stock availability, speed of response, and promotional

activity. Our research found that suppliers actively differentiated their service levels between different key accounts, confirming the work of Frankwick, Porter and Crosby (2001). For these supplier organizations, the relationship type describes both the structure and level of servicing received by clients.

“Where we sell a full service package we of course have higher levels of communication across the organisation” (Supplier)

“Type of relationship and level of importance are not really the same thing!” (Customer)

During in-depth questioning a pattern emerged, which was that differences in relationship type were related to resource issues. When asked why accounts were differently serviced a typical answer was:

“The time. More dedicated resource. Promotional support. That’s what it comes down to. The time and the resource and investment in supply chain and stuff like that. The smaller accounts we’re pretty much just delivering a product when they ask for it, but nothing in terms of added value, service, working a range with them, analyzing data, joint supply chain solutions. We just don’t have the resource to deal with that.” (Supplier)

Supplier decisions about which accounts got the highest level of relationship or servicing appeared entirely related to one of two things: net present value of the client; and client demands. Thus, although the potential for growth and profits was part of the resourcing decision, customer pressure played a very important part:

“On balance, it’s more driven by them demanding than asking for certain things. We try to come up with new ideas, new in-store marketing ideas and stuff like that ourselves. But things like supply chain tends to be much more driven by them... I’d say it’s 70% them pushing and 30% us [offering].” (Supplier)

“The [relationship level] is driven by the customer and the fact that what we do is only part of what they do” (Supplier)

This finding in relation to our third research question about the determinants of KAM relationship type crystallizes the core contribution of our research. We find that KAM relationships are differentiated based on contact structure and service levels, rather than on the degree of shared intent. This is congruent with the results of Frankwick, Porter and Crosby (2001) in a business-to-consumer context, who argue that salesperson contacts and differentiated service levels are linked to relationship status. Our research suggests that strategic intent or fit does not seem to be the key driver of

KAM relationship type; nor does it seem to drive changes in KAM relationships. Instead, it is operational factors that seem to be more influential. Although the decision to engage in KAM can be described as a strategic decision overall, the relationship differentiation is largely operational. This finding supports Homburg, *et al.* (2002) who considered KAM from an organizational perspective and suggested eight archetypes based on supplier-based factors.

Discussion and Implications

This research has raised some questions regarding our current understanding of key account relationships. The first question, revealed by our use of a dyadic research method in phases 1 and 2, is that the two sides to the relationship may perceive it in very different ways, so that identification of relationship form is non-trivial. This conclusion supports the findings of Jap and Anderson (2007), who used a similar first-stage methodology. They, too, found that participants were readily able to recognize relationship forms and also found that long-term relationships may not necessarily be particularly close; we extend this by showing that dyad partners may not even agree about the relationship form. Our findings call into the question the notion of closer and less-close relationships that goes back to the early days of KAM (Weitz and Bradford, 1999; Dwyer *et al.*, 1987; Millman and Wilson, 1995) and has implications for researchers in KAM since the perception of relationship type may differ between suppliers and customers. Since the perception of relationship type has repercussions for resource allocation and investment on both sides (Capon and Senn, 2010; Ryals, 2005; Weitz and Bradford, 1999), this is an important finding for practitioners.

It is difficult to explain the four asymmetric dyads revealed in Phase 1 of the research unless there are either transitional states or some difference in strategic intent. Our research indicates that relationships exist in which there is an imbalance between one party's commitment to another. These imbalances are often overt, with both partners able to explain why the other sees things differently. However, where the relationships were asymmetric, but in transition, the perception was of greater convergence over time, in line with Narayandas and Rangan (2004).

Our main contribution is the finding that strategic intent is not the essential feature that defines KAM relationship types, in contrast to work such as Ojasalo (2001) and McDonald *et al.* (1997). In fact, a strong form of mutual strategic intent in which suppliers and customers share strategic goals was absent in the relationships we studied. This finding has implications for both theory and practice. The theoretical implication of our work affects the conceptualization of KAM relationships as somehow ‘balanced’ or symmetric, as proposed by, amongst others, McDonald (2000), McDonald and Woodburn (1999) and Ojasalo (2001). Our research suggests that asymmetric relationships can and do exist between buyers and suppliers, as posited by Toulan *et al.*, (2007). In asymmetric relationships one party desires a different level of relationship from their counterpart. Our findings suggest that an asymmetric relationship is not necessarily unstable; more research would be needed to explore such relationships over time, to see whether they tend to become more symmetric and, if so, whether the change is in the direction of greater or lesser closeness.

Our finding that some key account relationships were asymmetric also has managerial implications, since an asymmetric relationship may indicate power imbalances. The issue of power imbalances was explored by Narayandas and Rangan (2004), who found that the benefits of such relationships are more equally shared than might be expected. We have taken a resource-based perspective which leads us to suppose that there could be an issue of suboptimal resourcing decisions in an asymmetric relationship. Thus, a supplier might over-resource relationships where the customer is resistant to greater integration, in an attempt to bring about a closer relationship. This is likely to increase supplier costs disproportionately. There could also be managerial implications relating to supplier expectations when they introduce KAM. Our results suggest that simply introducing KAM will not, per se, bring about closer or more valuable relationships; the selection of the customers to include in the KAM programme will be vital, as will the appropriate level of resourcing.

Our work has additional managerial implications regarding the contact structure between suppliers and key accounts. Our conclusion that the relationship properties covered by strategic intent are unrelated to relationship type echoes the findings of

Jap and Anderson (2007). From our results, it appears that practitioners view their relationship types in terms of resource usage which, in turn, is linked to structure. Thus, a basic relationship would be seen as one in which there was a single key account manager and a single purchaser. Strategic intent seems to have little or nothing to do with this. We found some ‘basic’ arms-length relationships that appear closer and more mutually beneficial than closer relationships. This finding supports Toulan *et al.*’s (2007) identification of the importance of structural (rather than strategic) fit, and also addresses those authors’ call for research on KAM relationships that looks at both sides of the relationship.

Another interesting implication of our research for managers is the role that customers play in determining KAM relationship type, which purely supply-side research may fail to identify. The key account managers we interviewed suggested that it was the customer who governed the level of integration; this finding supports Beverland (2001). In fact, the supplier was often dissatisfied with the level of the relationship and wanted to develop it further but said that “customers keep driving us back to that” or “customers are afraid to get more involved with their suppliers”. This appeared to be a particularly acute problem in getting beyond a basic relationship. The customers were less keen on close involvement with suppliers than the suppliers were, perhaps because they already felt that the relationship was close enough (c.f. Phase 1). Unless they understand this, it is possible that suppliers may strive for higher levels of strategic intent and integration than customers want, and may thereby misallocate their resources.

Summary, limitations and suggestions for future research

In summary, our research suggests that relationship types are associated with contact structure (for example, the number of contacts on each side) rather than strategic intent. It also suggests that mutual strategic intent is neither necessary nor always achievable.

However, our sample was relatively small, and more research across a larger number of dyads is needed to produce a robust typology of the inter-organizational structure of key account relationships. Once this has been done, it should be possible to examine the relationship between relationship type is related to contact structure and

service levels. Moreover, our participant dyads were selected to be very heterogeneous. We did not control, for example, for industry sector; nor did we control for duration of relationship, which may influence buyer / seller perceptions of the relationship (Coulter and Coulter, 2002; Román and Martín, 2008). Both Coulter and Coulter's (2002) and Román and Martín's (2008) work suggests that interpersonal issues are important in the early stages of a relationship, although diminish in importance as the relationship becomes established. Although we did not formally control for relationship duration, our sampling process (which focused on more established KAM programs) discouraged the inclusion of short-duration relationships. Other, preferably longitudinal, research is needed to examine how key account relationships develop over time and what the drivers are of such changes in relationship type. Finally, our research has not examined the performance consequences, financial or relational (Ryals 2008) of different KAM relationships for the organization; more research is needed into the impact of changing the structure of a KAM relationship on the performance of that relationship.

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Table 1: A summary of relational models in KAM

| Researchers | Model stages / types | Conceptual basis of model | Empirical testing | Notes |
|---|---|---|----------------------|--|
| Dwyer <i>et al.</i> , 1987 | Awareness, Exploration, Expansion, Commitment, Dissolution | Relational contracts and exchange | No | Lifecycle stage model; tested by Jap and Anderson, 2007 |
| Ring and Van de Ven, 1994 | Negotiation; Commitment; Execution; Termination | Relational exchange and psychological contracts | No | Lifecycle stage model, but could be multiple cycles |
| Millman and Wilson, 1995 | Pre-KAM, Early KAM, Mid KAM, Partnership KAM, Synergistic KAM, Uncoupling KAM | Strategic and operational fit | No | Lifecycle stage model |
| McDonald <i>et al.</i> , 1997 | Pre-KAM, Early KAM, Mid KAM, Partnership KAM, and Synergistic KAM | Nature of customer relationship / level of involvement with customer | 11 dyads | Lifecycle stage model |
| Pardo, 1997 | Disenchantment, Interest, Enthusiasm | Key account's perception of advantages and disadvantages of KAM | 20 key accounts | Typology dependent on various customer factors including strategic choices |
| McDonald and Woodburn, 1999; McDonald, 2000 | Exploratory, Basic, Co-operative, Interdependent, & Integrated | Strategic intent | No | Typology |
| Ojasalo, 2001 | Not specified | Supplier-based factors including | No | Lifecycle model |

| | | | | |
|---------------------------------|--|---|---|---|
| | | goal congruence and degree of commitment on both sides | | |
| Homburg <i>et al.</i> , 2002 | Top Mgt, Middle Mgt, Operating, Cross- functional, Unstructured, Isolated, Country-Club, No KAM | Supplier-based factors including A- R-A and Formalization, dedication, and orientation | 50 managers, consultants and academics and 385 survey respondents | Typology |
| Eggert <i>et al.</i> , 2006 | Build-up, Maturity, Decline | Intent to expand business with supplier | 400 purchasing managers | Lifecycle model based on Iacobucci and Zerrillo, 1997 |
| Toulan <i>et al.</i> , 2007 | Not specified | Inter-organizational fit (strategy and structure) | 106 global account managers | Asymmetric curve of efficiency versus strategic importance* |
| Capon and Senn, 2010 | Pilot, Dead End, Springboard, Embedded | Program scope and supplier commitment | 30 workshops and 50 interviews with GAMs | Lifecycle model |

*Measuring extent to which various variables had changed since relationship inception; so, elements of lifecycle model.

Table 2: Interview questions

| Questions | Notes |
|---|---|
| 1. From the relationship models pictured below, please circle the one that you think most closely represents the relationship | Pictures based on Dwyer <i>et al.</i> (1987), Millman and Wilson (1996) and McDonald (2000) |
| 2. What are your strategic goals from this key account relationship? | Hamel and Prahalad (1990); (2005); Jap and Anderson (2007); McIntyre et al., (2004); Richards and Jones (2010); Toulin et al., (2007) |
| 3. What organisational goals is the relationship helping you achieve? | Hamel and Prahalad (1990); (2005); Jap and Anderson (2007); McIntyre et al., (2004); Toulin et al., (2007) |
| 4. To what extent do you agree or disagree with the following statements, applied to your relationship with the supplier / customer: | |
| Inputs | Structure questions draw on Dwyer <i>et al.</i> (1987); Strategic intent questions draw on Hamel and Prahalad, 1990, 2005; Jap and Anderson, 2007; McDonald and Woodburn, (1999); McDonald (2000); McIntyre et al., 2004; Ojasalo (2001); Toulin et al., 2007 |
| <ul style="list-style-type: none"> a. Both parties invest in the relationship b. Our relationship is by an open and honest exchange of information c. Our relationship is based on mutual trust d. There is a real spirit of partnership between our two companies | |
| Durability | . |
| <ul style="list-style-type: none"> e. This relationship is viewed as a long-term commitment by my organisation f. Together we have planned and formally documented long-term strategies for the development of our relationship g. We are prepared to adjust and be flexible in the interests of this relationship h. We have worked together on joint projects which have mutually benefited both parties i. Looking after this account is not just the responsibility of the Account Manager and our key purchaser; both companies have set up con-functional teams of people directed to meet the needs of the relationship | |
| Consistency | |
| <ul style="list-style-type: none"> j. We actively co-operate to maintain this relationship k. This relationship is viewed by my organisation as having efficiently benefits l. Conflict is reducing in this relationship m. We trust this partner more than we did 12 months ago | |
| Dissolution | |
| <ul style="list-style-type: none"> n. If either company ever worked to end our relationship, both companies would find it | |

difficult and complicated to exit

o. This is a successful relationship both
financially and non-financially

5. Do you have any other comments or observations
about this relationship?

Table 3: Strategic goals – frequency count of mentions by suppliers and customers

| Financial goals | Suppliers | Customers |
|--|------------------|------------------|
| Maintenance and growth: | | |
| Maintaining and growing the relationship generally | 3 | 1 |
| Increased volume/share of business | 2 | 0 |
| | 5 | 1 |
| Increase profit from this account through: | | |
| Improved operational efficiency | 0 | 3 |
| Increased value from supplier to customer | 3 | 1 |
| Increased value from partnership to end user | 0 | 1 |
| Cost savings | 2 | 3 |
| | 5 | 8 |
| Non-financial goals | | |
| Sustainable long-term commitment/integration by: | | |
| Better commitment/integration generally | 10 | 2 |
| Formalize e.g. contractual/formal agreements | 1 | 1 |
| Build trust | 4 | 1 |
| Better communications | 2 | 2 |
| Become 'endemic' - all levels with partner | 5 | 0 |
| | 22 | 6 |
| Deliver what customer wants by: | | |
| Deliver what customer wants generally | 6 | 4 |
| Improve customer satisfaction ratings | 3 | 0 |
| Joint product design & development | 2 | 1 |
| Supplier delivers client specific solution | 3 | 1 |
| | 14 | 6 |
| Improve mutual benefit by: | | |
| Improve mutual benefit generally | 0 | 2 |
| Joint product design, development & planning | 4 | 3 |
| | 4 | 5 |

Table 4: Organizational Goals – frequency count of mentions by suppliers and customers

| | Suppliers | Customers |
|---|------------------|------------------|
| Financial goals | | |
| Improve profit/achieve targets generally | 3 | 2 |
| Rationalize /reduce supplier or customer base | 3 | 4 |
| Market penetration / market extension | 7 | 2 |
| Improved operational efficiency for self or both | 4 | 6 |
| Invest supplier resources in customer's business | 1 | 1 |
| | 18 | 15 |
| Non-financial goals | | |
| Better market position for self or both | 14 ¹ | 0 |
| Supplier helps customer win new business | 4 | 4 |
| Supplier helps customer deliver to end user | 2 | 7 |
| New product development thru insight into partner | 3 | 1 |
| Good SWOT alignment | 5 | 0 |
| Challenge industry standards/practices | 3 | 2 |
| | 31 | 14 |

¹Due to the use of content analysis some interviewees mentioned multiple goals which fell under one category; thus 9 participants were recorded as 14 responses

Figure 1: Map of relationship perceptions (8 dyads)

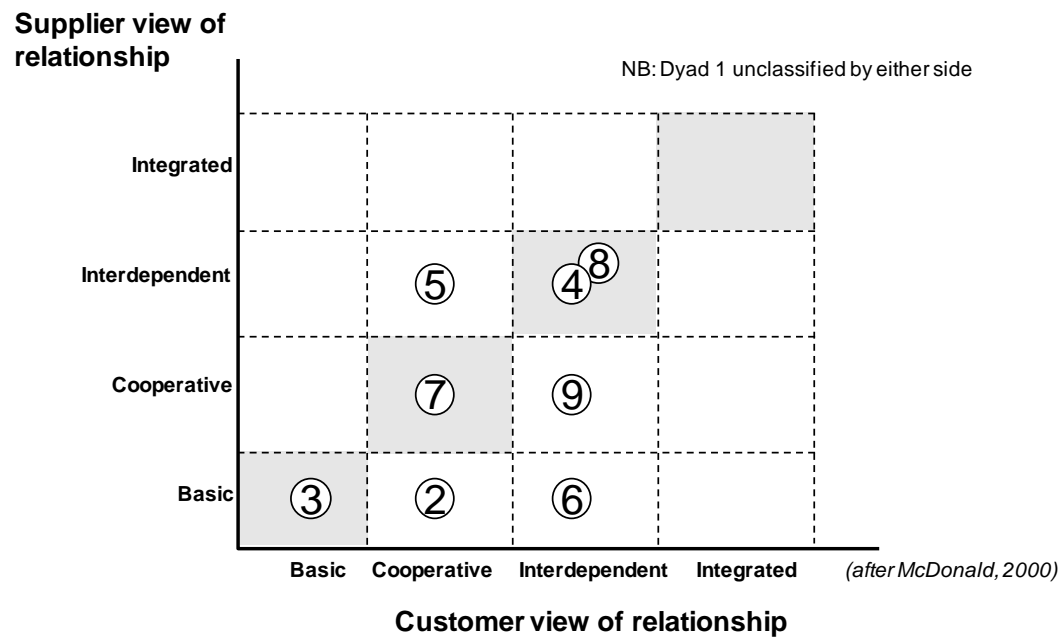


Figure 2: Average disagreement between dyads